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Central Intelligence Agency



Washington, D.C. 20505

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DIRECTORATE OF INTELLIGENCE

12 July 1983

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Mexican Corn Production [redacted]

Summary

Corn is grown throughout Mexico. The principal growing areas are the Gulf coast states of Veracruz and Tamaulipas where the climate is conducive to maize. Corn crops are largely rainfed. There are two corn crops annually; the principal harvest in the fall and a minor spring/summer crop. After nearing self-sufficiency in 1981, production fell over 35 percent in 1982 because of the severe drought. As a result, Mexico is importing substantial corn volumes to meet basic needs in 1983. Because production is expected to partially recover this year, 1984 import needs will be lower.

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Corn Imports

The USDA estimates that Mexico will need to import 5 million metric tons (MT) of corn during 1983. CONASUPO, which is the government's corn purchasing agent for subsidized sales through its own stores, announced its intention to purchase 3.5 million MT for human consumption. The agricultural attache attributes

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This memorandum was requested by the Deputy Secretary of the Department of Treasury. It was prepared by [redacted] the Middle America-Caribbean Division, Office of African and Latin American Analysis. Information as of 12 July 1983 was used in preparation of this paper. Comments and questions are welcome and should be addressed to Chief, Middle America-Caribbean Divisi [redacted]

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the difference to Mexican officials' reluctance to publicize the magnitude of import needs.

The bulk of corn imports will be No. 2 yellow corn for human consumption, with 20 to 30 percent No. 3 corn for animal feed. Based on information from corn product manufacturers, the agricultural attache believes some of the cheaper No. 3 corn imports are being diverted for human consumption.

Reporting from Mexico City indicates CONASUPO contracted for purchases of 2.2 million metric tons of corn between November 1982 and March 1983, largely for delivery and consumption in 1983. The following table shows the Bank of Mexico's preliminary figures for corn imports in the first quarter.

Mexican Corn Imports (January - March)  
(1000 metric tons - \$ million)

1982		1983		Percent Change	
Volume	Value	Volume	Value	Volume	Value
146.1	23.7	925.7	109.6	533.6	362.4

[redacted] Mexico City has used all the \$1.2 billion in CCC credits allocated for fiscal year 1983. About 60 percent was used for imports of corn; the remainder was used primarily for sorghum imports, according to a USDA source.

1983 Production

The 1983-84 Agricultural Plan, announced in April, calls for domestic corn production of 13.9 million tons this year. We believe this figure is overly optimistic because of growing shortages of fertilizers, certified seed, machinery and other imported inputs. Although the plan raised the guaranteed producer price for corn by 81 percent, farmers were reluctant to expand production with inflation near 100 percent.

The agricultural attache's estimates that Mexicans will produce 11 million metric tons of corn in 1983 if weather conditions improve. Drought hurt early planting in the central state of Mexico, but rainfall has apparently been adequate in the two principal Gulf coast growing states.

Mexican Corn Production (Metric Tons)

1981	1982	1983 <sup>a</sup>
12,500,000	8,000,000	11,000,000

<sup>a</sup> USDA estimate

Domestic Consumption and Supply

The USDA is estimating total Mexican corn consumption in fiscal 1983 at 13 million MT. A report prepared by the USDA indicated average per capita consumption of corn for 1979/81 was 177.6 kilos.

The principal end users of corn in Mexico are producers of corn flour and tortillas. CONASUPO corn sales in 1982 averaged 450,000 metric tons per month or 5.4 million tons annually. The agricultural attache estimates that these sales equal about 50 percent of domestic corn consumption; the rest must be purchased on the private market. CONASUPO's corn reserves were probably close to one month's supply in the first quarter because of the shortfall in 1982 production and the farmers holding back production in anticipation of an increase in the guaranteed price. Press reports indicated scattered spot shortages in rural areas. In our judgment, the supply situation has probably eased somewhat as corn imports picked up and stocks were released when the government raised the guaranteed price in April.

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